

FROM WOODSTOCK TO WALLSTREET:

AN ANALYSIS OF THE MUSIC FESTIVAL BUBBLE

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ABSTRACT

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In the 21st century, the sheer growth within the music festival industry has been extraordinary. Moreover, the growth in the number, size, and impact of festivals is indicative of a bubble. The phenomenal growth of the music festival industry, and its subsequent impact, can be attributed to: changes in music consumption, millennials' socioeconomic behavior, and the industry use of modern marketing practices / new technologies. Recently, the industry has witnessed increased extensive corporatization, the implications of which are widespread.

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INTRODUCTION

In August 1969, the Woodstock Music & Art Fair commenced on a dairy farm in Bethel, NY. The event hosted Jefferson Airplane, Jimi Hendrix, the Grateful Dead, the Who, Janis Joplin, Crosby, Stills, Nash & Young, and 24 other artists who drew over half a million people to the 600-acre farm for four days¹. A cultural phenomenon, Woodstock ushered music festivals to the forefront of popular culture, where they remain to this day.

The music industry has changed tremendously since the summer of '69. While music festivals retain some of the hippie ethos characteristic of Woodstock, the music festival industry is strictly business. Moreover, this industry has witnessed unprecedented growth in the past decade. Growth of this nature is often illustrated as a bubble, which renowned economist James K. Galbraith describes:

A bubble is a quasi-mechanical process – a physical phenomenon with certain properties. It inflates slowly. It pops quickly. These traits impart an apparent completeness to the concept of bubbles that, together with repetition has made it a very popular term for describing financial dynamics. The concept almost seems to be a theory, in the sense of providing explanation and guidance. Many people, including many economists, use the term as though it were founded in a well-understood economics, so that one need only identify a bubble in progress in order to know that disaster awaits. This is not the case. “Bubble” is simply a compelling image, a metaphor, made familiar by a long usage in the history of disasters.

¹ "About." Woodstock. Accessed May 09, 2018. <http://www.woodstock.com/about/>.

The following thesis provides an in-depth analysis the music festival “bubble” by: (1) examining causes for the formation and its growth. (2) evaluating its economic effect (3) exploring changes within the festival industry and (4) hypothesizing about the industry’s failure.

THE MUSIC FESTIVAL BUBBLE

Pervasive Changes in the Consumption of Music

In 1965, Intel co-founder Gordon Moore noticed that the number of transistors per square inch on integrated circuits had doubled every year since their invention and predicted this trend to continue into the foreseeable future – a prediction ultimately termed Moore’s law. Moore’s law submits that technology evolves at an exponential rate². Developments in modern musical consumption affirm Moore’s hypothesis. Beginning with the invention of the Compact-Disk (CD) in 1982, pervasive and exponential changes in technology have predicated changes to the mode of music consumption³.

Until the digital revolution, record technology saw little fundamental change since the Edison cylinder. That all changed, however, when Philips and Sony ushered music consumers into the digital age with their release of the CD in 1982. By the mid to late 80's the compact disc became affordable for the masses. By 1990, CD's had affirmatively replaced records as the preferred audio format. Vinyl sales dropped, and many vinyl-pressing factories permanently closed.

² Staff, Investopedia. "Moore's Law." Investopedia. November 24, 2003. Accessed May 09, 2018. <https://www.investopedia.com/terms/m/mooreslaw.asp>.

³ “The History of the CD - The Beginning - Research.” 2018. *Philips*. Accessed May 9. <https://www.philips.com/a-w/research/technologies/cd/beginning.html>.

A product of this change and the internet revolution, the record industry took a series of losses. Initial revenue losses were largely a product of CD ripping and P2P file sharing allowing consumers to illegally download and share music. At first, files were shared amongst friends and small groups. In September 1999, file-sharing site Napster launched, and music piracy exploded. Napster's business model provided consumers an online one-stop-shop for illegal downloading.⁴ Naturally, consumers took advantage of Napster's free and convenient service⁵.

Following its debut, Napster's number of registered users doubled every 5–6 weeks. By February 2001, Napster had roughly 60 million monthly users⁶. At its peak, Napster facilitated nearly 2 billion file transfers per month and had an estimated net-worth of between 60-80 million dollars⁷. Napster had nationalized piracy. Yet, the party was not to last long.

On April 13, 2001, legendary metal band Metallica sued Napster alleging that Napster was guilty of copyright infringement, racketeering, and the unlawful use of digital-audio interface devices⁸. After *Metallica v. Napster Inc.* was filed in the United States District Court for the Northern District of California, analogous suits were filed by hip-hop icon Dr. Dre and numerous other artists. The suits alleged that Napster was responsible for declining sales. Napster was eventually found guilty, forced to shut down its site, and liquidate all its assets. *Metallica vs. Napster* (and subsequent lawsuits) brought the ills of music piracy to the public

⁵ "Music's Lost Decade: Sales Cut in Half." CNNMoney. Accessed May 09, 2018. http://money.cnn.com/2010/02/02/news/companies/napster_music_industry/.

⁶ "The Death Spiral of Napster Begins." 2018. *History.com*. A&E Television Networks. Accessed May 9. <https://www.history.com/this-day-in-history/the-death-spiral-of-napster-begins>.

⁷ "The Death Spiral of Napster Begins." 2018. *History.com*. A&E Television Networks. Accessed May 9. <https://www.history.com/this-day-in-history/the-death-spiral-of-napster-begins>.

⁸ Doan, Amy. "Metallica Sues Napster." *Forbes*. June 06, 2013. Accessed May 09, 2018. <https://www.forbes.com/2000/04/14/mu4.html#a4b7e6b226a0>.

conscious, and eventually paved the way for Steve Jobs and Apple Inc. to develop the iTunes and iPod juggernaut. The consequences of digitalization ultimately locked the tech and media industries in a battle that rages on to this day⁹

By 2002, Napster was dead, but the damage had already been done. The P2P software company paved the way for copycats like Gnutella and LimeWire. More importantly, Napster altered consumer expectations. Having tasted the forbidden fruit of piracy, traveling to Best Buy to purchase music was longer acceptable; consumers demanded cheap, near-instantaneous downloading.

Apple's iTunes is credited with finally persuading consumers to purchase digital music; however, the iTunes store was not unveiled until 2003. During this interim period (between Napster's death and iTunes' debut), large proportions of Napster's 60 million users discovered other P2P means of getting their music fix for free. Despite Apple's efforts to lock consumers into their brand, buying an iPod and purchasing songs for 99¢ just wasn't as sexy as pirating music that was easily compatible across devices.

"That four-year lag is where the music industry lost the battle," laments Sonal Gandhi, a music analyst with Forrester Research¹⁰. "They lost an opportunity to take consumers' new behavior and really monetize it in a way that nipped the free music expectation in the bud." By 2010, only 44% of U.S. Internet users and 64% of Americans who bought digital music believed

⁹ Patel, Nilay. "Metallica Sued Napster 15 Years Ago Today - Tech and Media Have Been Fighting Ever since." The Verge. April 13, 2015. Accessed May 09, 2018. <https://www.theverge.com/2015/4/13/8399099/metallica-sued-napster-15-years-ago-today>.

¹⁰ "Music's Lost Decade: Sales Cut in Half." CNNMoney. Accessed May 09, 2018. http://money.cnn.com/2010/02/02/news/companies/napster_music_industry/.

that music was worth paying for¹¹. At the same time, the volume of unauthorized downloads constituted about 90% of the market-share¹².

The Napster fiasco and the subsequent fallout crippled the recording industry. Physical music sales plummeted, and digital music sales –yielding marginalized profits for artists – failed to make up the difference. In fact, total revenue from U.S. music sales and licensing plunged to \$6.3 billion in 2009, according to Forrester Research. In 1999, that revenue figure reportedly topped \$14.6 billion¹³. All in all, collective revenues within the record industry trended downward, a trend reflected by artist revenues¹⁴.

By 2010, the demise of the music industry appeared inevitable. Recession, rampant piracy, plummeting CD sales, and the idea that “kids just don’t buy music any more” had the industry fearful. Major record labels were hemorrhaging money, without the means to curb the bleeding. Fortunately for the industry, music’s next evolution – streaming – would prove friendlier than its predecessor. Ultimately, the streaming revolution would breathe new life back into the industry as a whole. Artists, however, would remain monetarily disenfranchised.

The music streaming revolution commenced in 2005 when Pandora Radio launched its Music Genome Project. Pandora’s new project employed algorithms and a multifaceted song sorting program to create personalized radio stations based on listener's preferences. This project provided a glimpse into the "freemium model", which would eventually be adopted by other streaming giants: Soundcloud, Spotify, and Apple Music. The model functions in two ways: (1)

¹² "Music's Lost Decade: Sales Cut in Half." CNNMoney. Accessed May 09, 2018.
http://money.cnn.com/2010/02/02/news/companies/napster_music_industry/.

¹⁴ "Music's Lost Decade: Sales Cut in Half." CNNMoney. Accessed May 09, 2018.
http://money.cnn.com/2010/02/02/news/companies/napster_music_industry/.

users can listen for free with ads; or, (2) pay a monthly fee for unlimited and uninterrupted streaming.

Streaming services provided consumers a truly instantaneous means of listening. Additionally, the services offer extensive catalogues of music, all of which is available to subscribers at a single click. Furthermore, the major streaming services bridge devices and operating systems. Therefore, their consumers are not subject to the same technological / brand lock-in many experienced with digital downloads. Altogether, consumers found the accessibility, reliability, and convenience of streaming outweighed the risks and hassle of piracy.

Consumers aggressively adopted streaming, and the medium quickly became the industry standard. By 2016, over 100 million people were paying to stream music.¹⁵

Paul Smernicki, who was head of digital at Universal Records for 17 years, describes how streaming revitalized the industry: “I thought the days of the music industry talking about anything in terms of millions were gone, but now we are looking at billions of streams on an almost daily basis. If you look at the raw numbers of people who are streaming, I think you could now argue that music has never been more popular.” Smernicki explains how streaming effectively democratized music by providing an easy to use platform that was affordable, even to those previously unwilling to pay, “the value of reliability, convenience and accessibility to an enormous catalogue of songs for a small cost now trumps illegally downloading a song free¹⁶.”

¹⁵ McIntyre, Hugh. 2016. “There Are Now 100 Million People Paying For Streaming Music.” *Forbes*. Forbes Magazine. September 8. <https://www.forbes.com/sites/hughmcintyre/2016/09/08/there-are-now-100-million-people-paying-for-streaming-music/#ff8b183177d5>.

¹⁶ Ellis-Petersen, Hannah. "Music Streaming Hailed as Industry's Saviour as Labels Enjoy Profit Surge." *The Guardian*. December 29, 2016. Accessed May 09, 2018. <https://www.theguardian.com/technology/2016/dec/29/music-streaming-industry-saviour-labels-spotify-apple-music>.

It appears that streaming is revitalizing record labels. In December 2016, one of the world's biggest labels, Warner Music, announced revenues of \$3.25bn – its highest in 8 years. More significantly, \$1 billion of that revenue came from streaming, which is twice as much as download revenue and over \$100 million more than revenue accrued from physical sales. Currently, streaming continues to cannibalize digital sales. For instance, the total revenues of subscription services increased by 54%, while the revenues of digital music vendors dropped 9% from 2014-2015.¹⁷

However, it does not appear that the rising tide is lifting all boats. Recording artists report that streaming has continued to marginalize their revenue. For example, it was reported that a co-writer of Megan Trainor's pop hit, 'All About That Bass' netted a meager \$5,697 in royalties despite the single obtaining over 178 million plays on streaming platforms¹⁸. In addition, pop-music icon Taylor Swift temporarily boycotted Spotify for only paying between \$0.006 and \$0.0084 each time someone listened to her song¹⁹. Beautifully, Radiohead front-man Thom Yorke summed up artist frustration with streaming when he referred to Spotify as, "the last desperate fart of a dying corpse."²⁰

With an absence of physical sales, and the vast majority of money from digital sales and streams flowing to the vendors and subscription service, artists in the 21st century have been

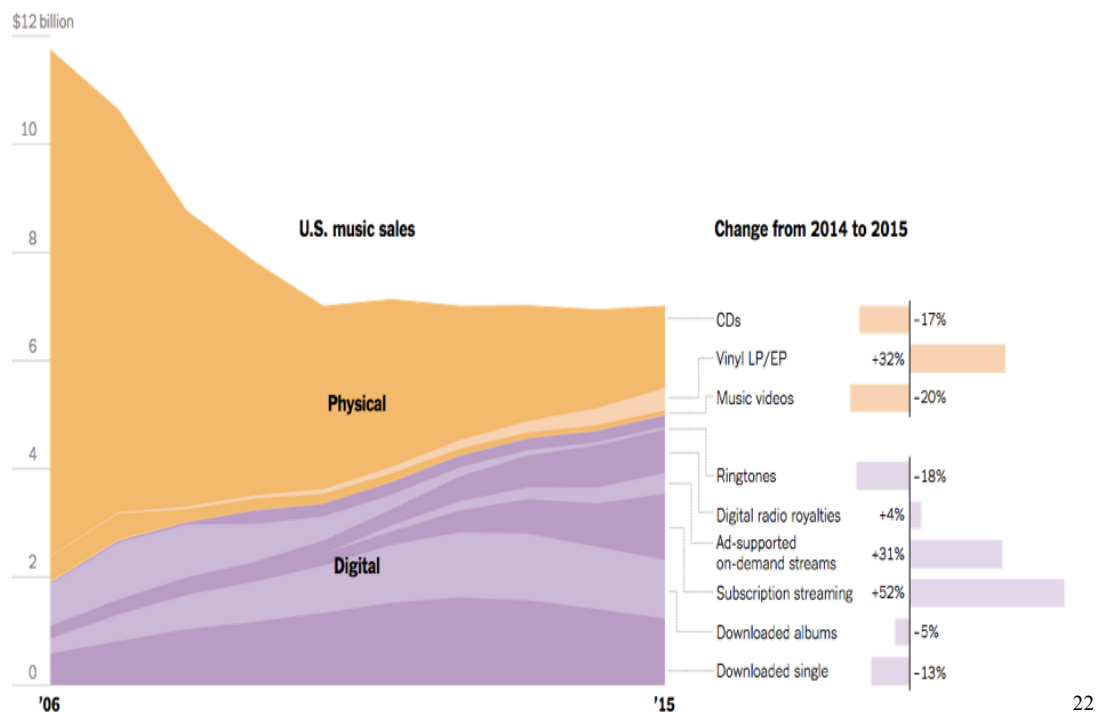
¹⁷ AppleInsider - <http://appleinsider.com/articles/15/01/02/digital-music-sales-dropped-9-in-2014-while-streaming-surged-54>

¹⁸ All About That Bass' writer decries streaming revenue Nate Rau
<http://www.tennessean.com/story/money/industries/music/2015/09/22/allbass-writer-decries-streaming-revenue/72570464/>

¹⁹ Tiffany, Kaitlyn. "A History of Taylor Swift's Odd, Conflicting Stances on Streaming Services." The Verge. June 09, 2017. Accessed May 09, 2018. <https://www.theverge.com/2017/6/9/15767986/taylor-swift-apple-music-spotify-statements-timeline>.

²⁰ "Thom Yorke Explains Why He Hates Spotify." Business Insider. October 07, 2013. Accessed May 09, 2018. <http://www.businessinsider.com/thom-yorke-explains-why-he-hates-spotify-2013-10>.

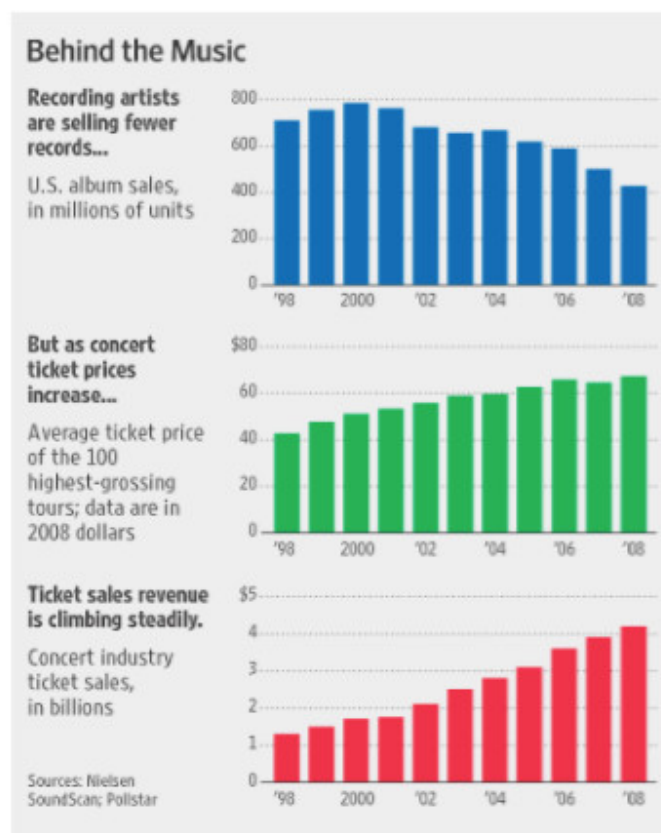
forced to pursue alternative avenues to maintain revenues. Since the turn of the millennium, live performances at venues (i.e., music festivals) have become popular, and at times necessary, means for artists to salvage lost revenue. Thus, an inverse correlation exists between record sales / streams and concert revenues. This correlation is backed by an ABC article, which stated that, “while music sales fell from \$13 billion to \$11.5 billion in the early 2000’s, concert revenues simultaneously soared from \$1.3 billion to \$2.1 billion.”²¹



²¹ Kafka, Peter. "Concert Tours Are Where the Real Money Is." ABC News. Accessed May 09, 2018. <https://abcnews.go.com/Business/story?id=86535&page=1>.

²² "Behind the Booming Supply and Demand of Music Festivals." Economics Student Society of Australia (ESSA). October 20, 2016. Accessed May 09, 2018. <http://economicstudents.com/2016/10/behind-the-booming-supply-and-demand-of-music-festivals/>.

Similarly, Pollstar's 2015 Year End Stats and Analysis supports this correlation, "The concert industry had another good year as fans continue to buy increasingly expensive live event tickets while artists at every level became even more reliant on concert revenues as their primary source of income. It was a record year for the North American concert business with the total gross of the Top 100 Tours hitting \$3.12 billion, which is up 14% over 2014. The 42.08 million tickets sold by just the Top 100 Tours is up 10%, which is also a record.²³" No doubt, artists are nostalgic for the days when fans had to purchase entire records at full price, rather than selectively streaming songs.

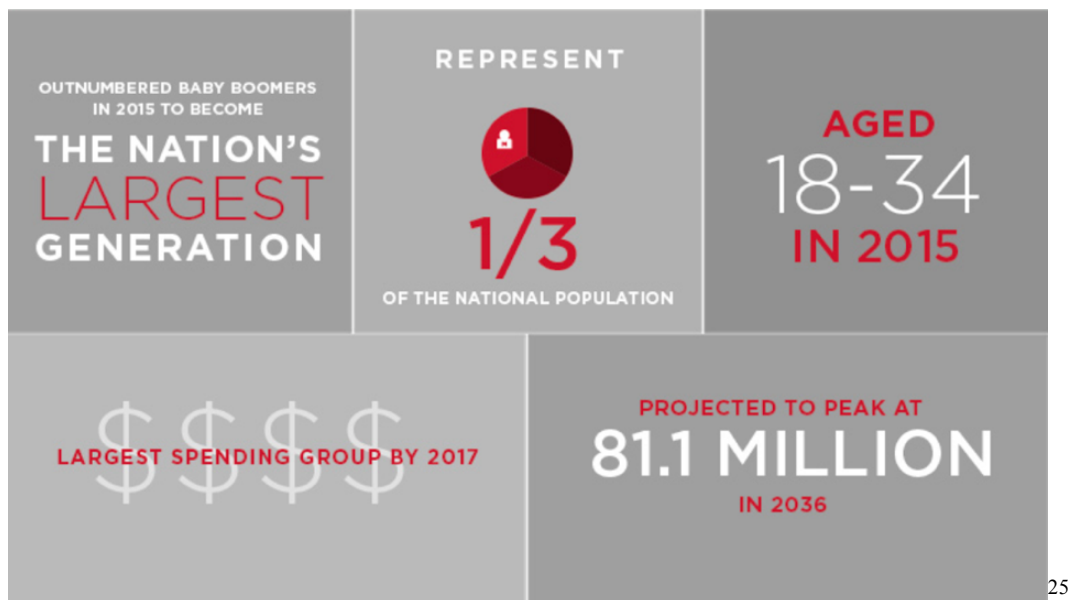


²³ "Pollstar's 2015 Year End Stats & Analysis." Pollstar. Accessed May 09, 2018. <https://www.pollstar.com/article/pollstars-2015-year-end-stats-analysis-43924>.

Congruent with above analysis, it is apparent that technological innovation has dramatically altered the consumption of music. Externalities from the digital revolution decimated artist revenues, and the streaming services have failed to recoup lost royalties. As a consequence, artists have been forced to perform live. In turn, the healthy supply of touring artists has decreased the price festivals have to pay to book them. The availability of “cheap” artists permitted small festivals to get off the ground. Pervasive changes in the consumption of music facilitated the growth of the music festival bubble.

The Millennial

Meet the millennial:



The cheap price of talent at the turn of the century provided festival promoters the opportunity to build top-tier lineups at low cost. For music festivals to flourish, however,

²⁵ Properties, EPR. "Millennials: Shaping a New Economy of Experience." EPR Insight Center. June 29, 2017. Accessed May 09, 2018. <http://insightcenter.eprkc.com/millennials-shaping-new-economy-experience/>.

promoters needed to sell the festival experience to millions. Millennials met this demand and their socioeconomic tendencies made them easier targets for promoters.

According to the 2016 US census, Generation Y is comprised of approximately 87.5 million persons, making millennials the most populous cohort in the United States²⁶.

Comprised of individuals who spent their formative years in the midst of the digital revolution and dotcom boom, it follows that millennials are the faction most receptive to digital technology. The millennial affinity for technology is demonstrated by the average amount of screen time they consume. US millennial with Internet access spends – on average – 3.1 hours on their mobile devices each day. This is the equivalent of 21.7 hours (near a whole day) per week and amounts to just over 47 days over the course of a year. Moreover, the U.S. millennial has a propensity to prioritize social over other media categories, with 71% using social media daily²⁷

Coined, “Generation Me,” by their elders, millennials’ institutionalization of social media is expressive of an underlying psychology of narcissism, and a proclivity for instant gratification²⁸. This is neither a malicious jab at, nor condemnation of Generation Y. Product of hundreds of thousands of years of natural selection, the inclination towards narcissistic and reward-seeking behavior is hardwired into our DNA. Nonetheless, the average millennial’s engagement with social media is likely amplifying these tendencies.²⁹

²⁶ "Online Master of Science in Applied Psychology." USC Applied Psychology Degree. Accessed May 09, 2018. <https://appliedpsychologydegree.usc.edu/resources/infographics/psychology-of-successfully-marketing-to-millennials/>.

²⁷ Stephen Shively “Kantar TNS Study Reveals Millennials Spend Nearly One Day Every Week on Their Phones”: http://www.tnsglobal.com/us/press-release/tns-millennials_study_111915

²⁸ "Millennials: The Me Me Me Generation." Time. Accessed May 09, 2018. <http://time.com/247/millennials-the-me-me-me-generation/>.

²⁹ Narcissism and Millennials in the Digital Age <https://psychcentral.com/blog/archives/2014/03/28/narcissism-and-millennials-in-the-digital-age/>

At its most fundamental level, social media is narcissistic. Selfies and statuses are self-adulating vehicles geared at gaining and sustaining attention. For example, when John interacts positively with Michelle's post on Facebook, the same reward-pathways activated during sex are activated in Michelle's mind at a miniscule level. Upon recognition of the positive reinforcement (i.e., the like, share, retweet, etc.), dopamine floods the synapses within her brain. A positive feedback loop is created, encouraging further engagement with social media. This feedback loop can develop into an addiction. Akin to any addiction, the user is likely to experience increasingly fleeting euphoria when using. However, when deprived of social media, the user is liable to experience the negative symptoms of addiction: ill-temperament, anxiety, etc. When posed the question, "considering a typically day, when is the first time you usually open your smartphone?" 66% of young millennials – aged 18-24 years old – responded, "in bed, when I first wake up."³⁰ As will be examined later, festival promoters exploit millennial use of social media to sell them on the festival experience.

Additionally, millennials have been found to value experiences over goods. Expressly, a 2014 study conducted by technology company, Harris, in conjunction with Eventbrite found that over 3 out of 4 millennials would choose to spend money on a desirable experience over a desirable purchase, with 72% of millennials stating they wished to increase their proportion of spending on experiences compared to physical things in the following year³¹. The millennial demand for experience goods makes them prime targets for festivals.

³⁰ Survey Finds Most People Check Their Smartphones Before Getting Out Of Bed In The Morning Tech Times - <http://www.techtimes.com/articles/199967/20170302/survey-finds-people-check-smartphones-before-getting-out-bed.htm>

³¹ "Millennials: Fueling the Experience Economy." *Eventbrite US Blog*. N.p., n.d. Web. 08 May 2017.



Millennials are also a prime target for festival promoters due to their purchasing habits. Generation Y is also the age-group most likely to adopt new buying methods such as mobile payments with 9% of U.S. millennials using mobile payment applications daily.³³ With the ability to purchase at any time in any place, impulsive youths are more likely than their more contemplative older cohorts to purchase tickets to music festivals after viewing ads on their mobile devices.

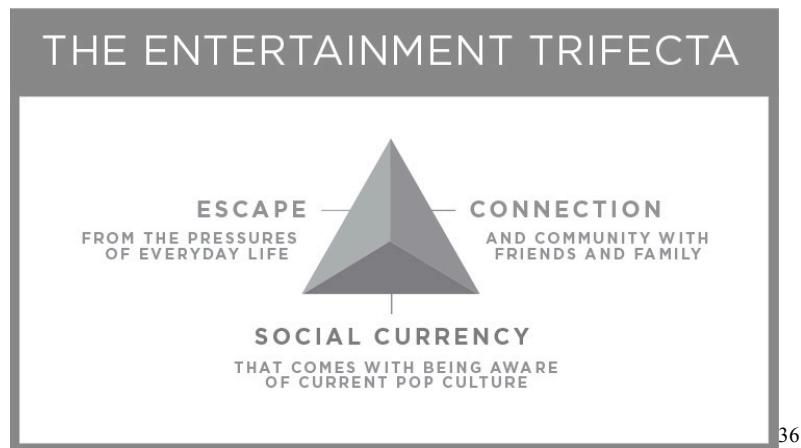
Furthermore, music festivals are viewed as a communal activity, with only 4.1% of event attendees going to live music events alone³⁴. This communal nature is propagated by the bandwagon effect, and the millennial propensity to share their festival experience on social media. This sharing is elucidated by analysis of social media chatter regarding music festivals, which revealed that three quarters of which is driven by millennials. Of that chatter, 54% occurs

³² Properties, EPR. "Millennials: Shaping a New Economy of Experience." EPR Insight Center. June 29, 2017. Accessed May 09, 2018. <http://insightcenter.eprkc.com/millennials-shaping-new-economy-experience/>.

³³ According to the Connected Life, a study of over 60,000 Internet users worldwide from global research consultancy Kantar TNS.

³⁴ The Driving Force Behind Today's Growth in Music Festivals
<https://www.eventbrite.com/blog/academy/hardcore-festies-most-valuable-fan-driving-todays-growth-in-music-festivals/>

prior to the event.³⁵ In this way, the Gen Y market segment functions as a target demographic, tastemaker, promoter, and ultimate cash cow for music festivals who are able to sell them on the entertainment trifecta:



Considering the aforementioned millennial tendencies, it makes sense that the demographic accounts for the vast majority of music festival sales. From January till May 2017, Millennials accounted for 85.01% of all sessions on FloatFest.com. Also, 20% of the “experience generation” reported attending a music festival in the past year—twice the rate of the general population. Out of the astonishing 32 million people who attended at least one music festival in 2014³⁷ half were millennials.³⁸ In effect, the socio-economic tendencies of millennials made

³⁵ Eventbrite Harris Interactive survey of 2,000 U.S. consumers, July 2014.

³⁶ Properties, EPR. "Millennials: Shaping a New Economy of Experience." EPR Insight Center. June 29, 2017. Accessed May 09, 2018. <http://insightcenter.eprkc.com/millennials-shaping-new-economy-experience/>.

³⁷ "Who's Headed to This Summer's Major Music Festivals?" What People Watch, Listen To and Buy. Accessed May 09, 2018. <http://www.nielsen.com/us/en/insights/news/2016/who-s-headed-to-this-summer-s-major-music-festivals-.html>.

³⁸ Eventbrite Harris Interactive survey of 2,000 U.S. consumers, July 2014.

This online survey is not based on a probability sample and therefore no estimate of theoretical sampling error can be calculated. For full methodology, contact Eventbrite.

them an easy target for music festivals. Millennials generate the demand needed to fuel the Music Festival Bubble.

Modern marketing technologies and practices.

Modern marketing technologies and practices implemented by successful music festivals are targeted, adaptive, responsive, flexible, and quantifiable. To music festival promoters, radio, television, and print are increasingly viewed as vestigial mediums for relaying content to potential ticket buyers. They are even more archaic when it comes to targeting, engaging, converting, and analyzing demographics.

Thus, the name of the game is digital marketing. Although the name may have changed, the marketing process remains the same:

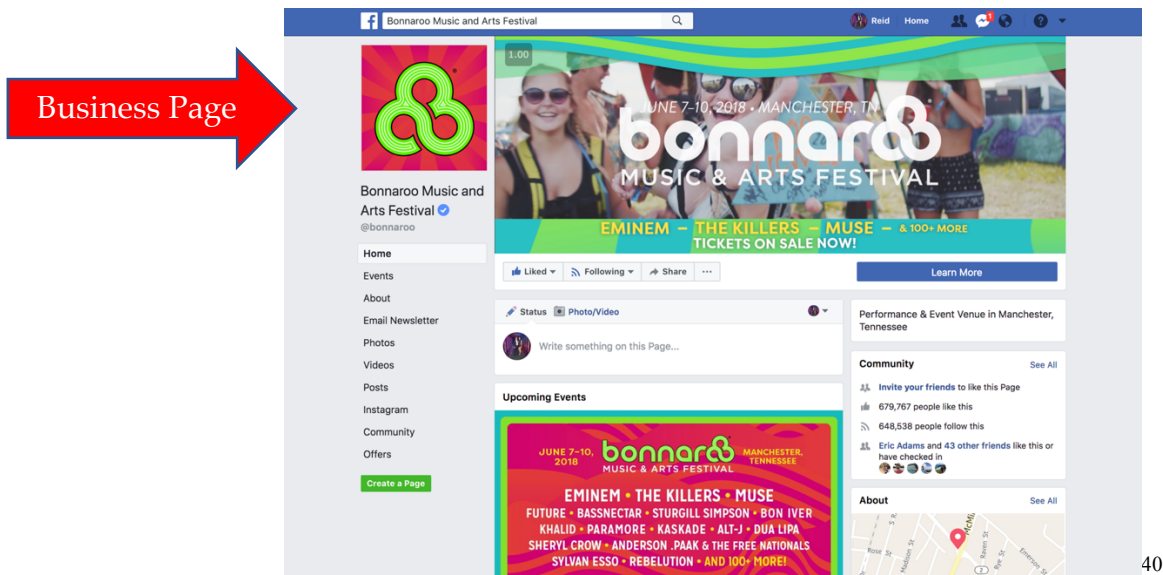
1. Analyze the market
2. Target market segments
3. Develop engaging content tailored to respective market segments
4. Push content to potential consumers.
5. Facilitate engagement with content
6. Analyze the results.
7. Alter marketing campaigns according to the analysis.

It just so happens that digital marketing is vastly more effective at accomplishing these tasks (for music festivals) than traditional marketing. This comparative advantage is largely due to digital marketing's ability to continuously analyze big data and facilitate promotion and advertising. There are a variety of digital platforms at a festival's disposal. Each operating in a

different manner, with different tools, programs, function, etc. Facebook and Google AdWords are two of the more prominent examples.

According to a research conducted on August 1st, 2016 by Statistic Brain, there were 1,721,000,000 monthly active Facebook users – a 12% increase from 2015. Of those 1,721,000,000 monthly active Facebook users 48% of users signed in daily. Moreover, every 20 minutes there were: approximately 1 million shared, 2 million friends requested, 3 million messages sent, and an average of 205 photos uploaded per user daily.³⁹ Quick inspection grants perspective as to the volume of data created, mined, and analyzed by Facebook, and the potential benefits access to, and facilitated engagement with, big data grants to the music festival marketer.

With Facebook, music festivals are able to create a business page free of charge. Through this page, festivals are then able to organically reach, engage, share content with the millions of prospective patrons, build their brand, drive traffic to independent domains, etc.



³⁹ Seth. "Facebook Company Statistics." *Statistic Brain*. Statistic Brain, 07 Aug. 2016. Web. 08 May 2017.

⁴⁰ https://www.facebook.com/bonnaroo/?ref=br_rs

Although Facebook has a built-in messenger application allowing you to directly message any given user, the primary method of relaying content is through posting. Posts can include various forms of media: text, gif, video, etc. and have the potentiality of being placed in the News Feed of any and all individuals who “follow” the page or directly search for it. Pages are able to run marketing campaigns geared at accumulating new likes and expanding posts potential exposure. The total impressions (the number of times the content appears) made by a given organic post is a function Facebook’s News Feed algorithm Edge Rank. This algorithm is designed to deliver Facebook users content that is most relevant to them. Facebook determines this relevance based of user’s previous behavior on Facebook, their browsing history, etc.

Of the 1,500+ stories a person might encounter each time they log onto Facebook, approximately 300 are displayed in a user’s News Feed. In selecting which stories to show, EdgeRank prioritizes each possible story by analyzing thousands of factors relative to each person⁴¹. The only way for businesses to influence the organic reach (the number of times the content is viewed by users) of a given post is to ensure that the content of said post is relevant and engaging with respect to the cohort that likes their page. The greater the engagement (i.e., likes, reactions, shares, comments, tags, etc.) with a post, the more visible it becomes. With respect to organic reach, the high volume of millennial users on Facebook and their demographics affinity for pop culture grants the festival’s a distinct advantage. Thus, their content generally ranks higher than other media.

In addition to reaching organic audiences, music promoters have the ability “boost” posts. When boosting a post, music festivals elect to pay an agreed upon fee, and in return their post is

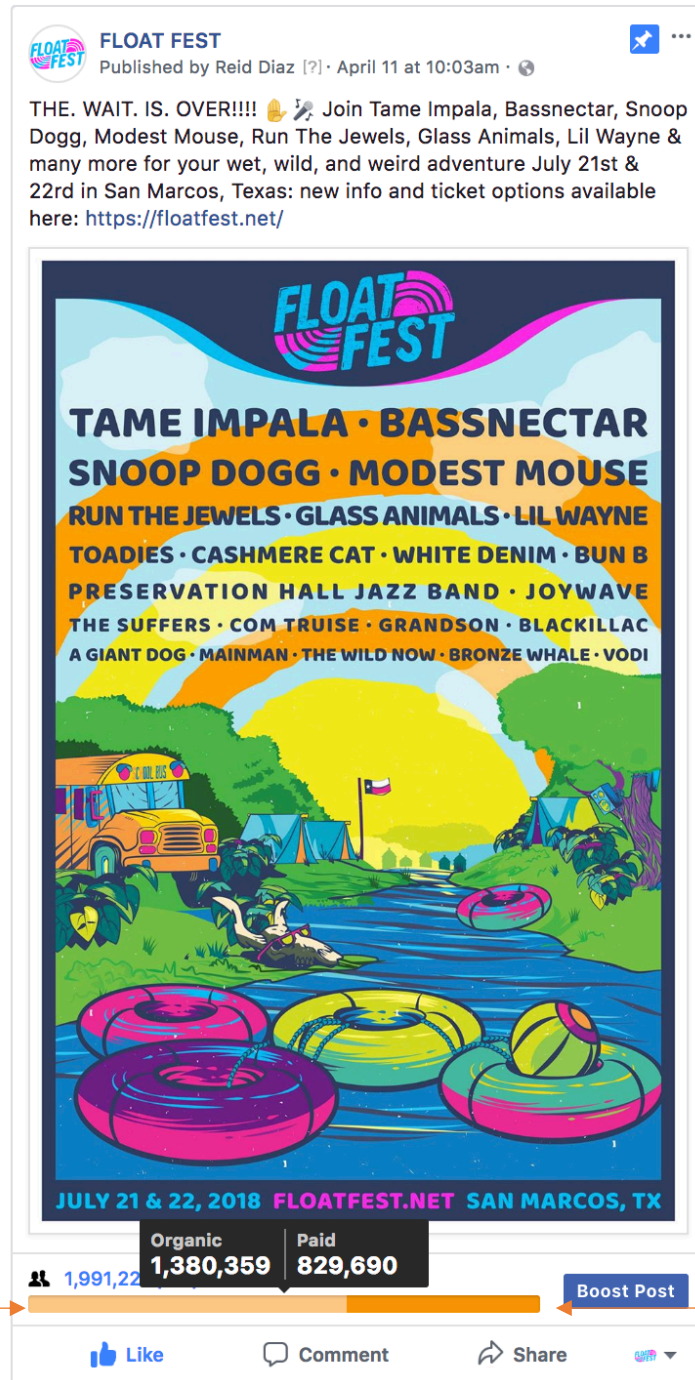
⁴¹ Choney, Suzanne. "Facebook Story Bumping to Show You What You Missed." CNBC. August 07, 2013. Accessed May 09, 2018. <https://www.cnbc.com/id/100946144>.

granted higher priority within EdgeRank. Facebook is transparent and provides advertises real time results regarding organic and paid reach.

Boosted Post

Organic Reach

Paid Reach



42

⁴² <https://www.facebook.com/floatfestival/>

Along with boosting posts, festivals are able to run ads on Facebook. When creating a Facebook Ad, festivals essentially rent big data from Facebook. Accordingly, they can target core, custom, and look-alike audience-based demographics, behaviors, and contact information. Facebook further facilitates the advertising process by offering customizable ad formats (i.e., photo, video, carousel, slideshow, canvas, or collection). Furthermore, Facebook's ads reporting tools display how music festival's ads have impacted the business in visual, easy-to-read reports organized based on objectives. Objectives include: audience outcomes, brand outcomes, and sales outcomes.⁴³

Music festivals also increase brand awareness and reach consumers via Sponsored Stories. Sponsored Stories are built entirely around user activity. Advertisers pay to emphasize action that previous users have demonstrated on the social network or within a Facebook-connected app. The selected action is displayed to a user's friends, either within the sidebar or in News Feed. Sponsored Stories are disadvantaged as they cannot reach audiences that are not linked to the page or application via friends. Additionally, Sponsored Stories are a direct product of organic user action. The advertisers lack any and all creative control. Advertisers can sponsor check-ins and offer claims. However, Sponsored Stories are general of the "Page Like" variety and are implemented marketing campaigns designed to increase brand awareness⁴⁴.

The ultimate marketing tool within the Facebook interface is the Dark Post – or unpublished post. Dark Posts are created on Power Editor⁴⁵ and are congruent to Facebook Ads

⁴³ "Facebook Ads Guide: Ad Format Specs & Recommendations." Accessed May 09, 2018. https://www.facebook.com/business/ads-guide/?ref=fbb_v3_footer.

⁴⁴ "Facebook Ads Guide: Ad Format Specs & Recommendations." Accessed May 09, 2018. https://www.facebook.com/business/ads-guide/?ref=fbb_v3_footer.

⁴⁵ "Facebook Ads Guide: Ad Format Specs & Recommendations." Accessed May 09, 2018. https://www.facebook.com/business/ads-guide/?ref=fbb_v3_footer.

in design. With Dark Posts, however, festival promoters are able to reach targeted market segments without publishing the post to the advertising page's feed. Dark Posts may seem counterintuitive because they forfeit any potential organic reach, yet – when implemented properly – Dark Posts allow music promoters run extensive ad campaigns where each ad is designed and seen solely by consumers interested in the content.

The difference between Facebook ads and Dark Posts is better explained by the following hypothetical:

Tame Impala is headlining Float Fest 2018. To get the word out, Float Fest can create Facebook Ad featuring an artist approved graphic of the band, information, about their set time, clever copy calling for conversion, and a link to their ticketing page. This ad can then be targeted at the 6,000-7,0000 of individuals aged 18-35 in the greater Houston area whose prior Facebook activity suggests interest in Tame Impala. Contingent on the parameters set by Float Fest (i.e., ad spend, duration of ad campaign, etc.), Facebook will supply a potential reach of the ad⁴⁶. At that time, Float Fest has the option to run the add, edit the parameters, or scrap the ad and start from scratch.

If Float Fest chooses to run the Tame Impala ad, the ad will be posted to the festival's page for any Facebook user to see. This is not in itself bad – as it will reach more Facebook users. However, there are possible negative externalities. First off, if Float Fest is running similar ads for all artists on the lineup simultaneously, the content could clutter the Float Fest page. This may make the page difficult for potential ticket buyers to navigate. Furthermore, the sheer frequency and volume of content may annoy users reached with multiple posts. Finally, potential

⁴⁶ "Facebook." Accessed May 09, 2018. <https://www.facebook.com/>.

ticket buyers who dislike Tame Impala (yet enjoy other artists on the lineup) may be discouraged from purchasing tickets after encountering the post.

With Dark Posts, however, Float Fest can segment the entire Greater Houston demographic based on expressed interest towards each band on their lineup, develop content tailored specifically for each segment, and engage the segments individually – all without running the risk of losing market share due to excessive or ill-received advertising.

However, the days of Dark Posts are numbered. Facebook and Twitter have committed to increasing the transparency of social ads (“Dark Posts”) on their networks. Digital marketers have long understood the power of social advertising and are keenly aware of how effective it can be in shaping consumer sentiment. Overall, festival promoters believe that the increased transparency is good for the long-term health of the social advertising ecosystem. From a consumer standpoint, it is important to know who is funding ads that are displayed. Traditionally, the vetting process was handled by the trusted relationships between media owners, brands and agencies. Today’s platforms require a different set of disclosures, and Facebook / Twitter’s pending changes are commendable.

On Facebook, all active ads will be visible by clicking the “View ads” button on a Facebook page. This will begin in Canada first in November and roll out to the US and other countries by summer 2018⁴⁷.

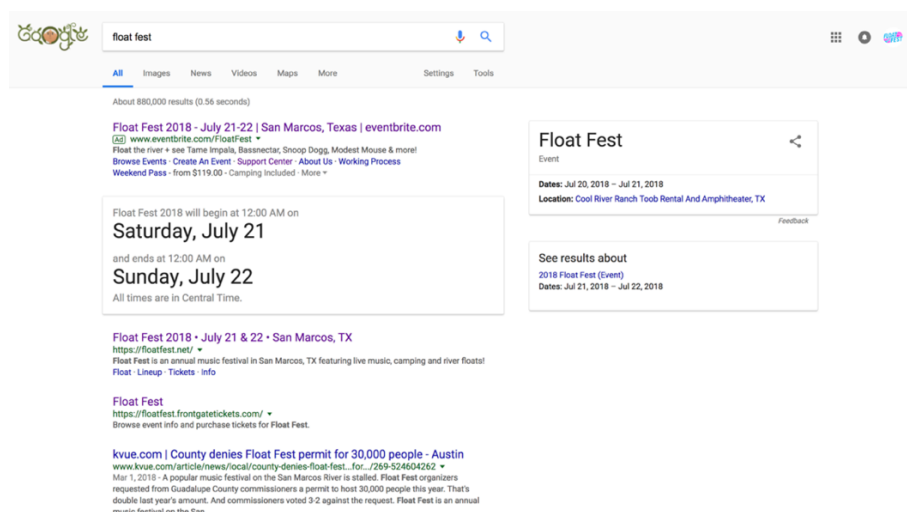
Concurrently, Twitter is launching an Advertising Transparency Center in the coming weeks, where users will be able to view all active ads on the platform and how long they’ve been running. They will also provide personalized insight into how users are being targeted and which

⁴⁷ Sloane, Garrett. "No More 'Dark Posts': Facebook to Reveal All Ads." Ad Age. October 27, 2017. Accessed May 09, 2018. <http://adage.com/article/digital/facebook-drag-dark-posts-light-election/311066/>.

ads they are eligible to receive. There have been some alarmist headlines calling out the end of “Dark Posts.” This is a misconception; the proposed changes create an avenue for consumers to see all ads coming from an advertiser. The tools will not change, the level of transparency will.

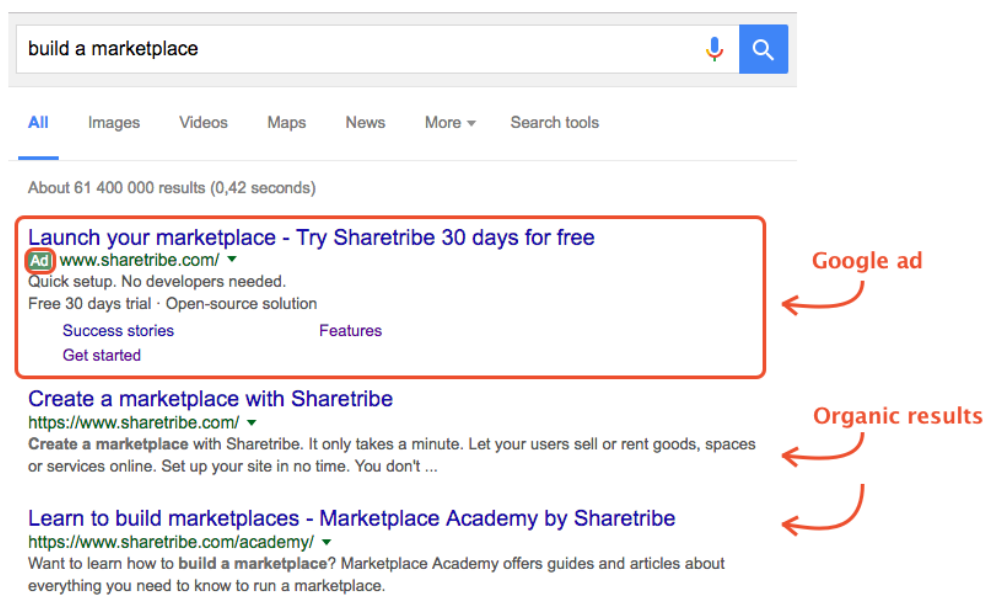
In addition to Social Media Marketing, festival promoters regularly advertise via Google AdWords. The advertising platform permits festivals to reach customers on the web and in applications across devices. Similar to Facebook, AdWords essentially rents big data to advertisers, facilitates the targeting of niche markets, and delivers the advertisers content to those customers. Signing up with Google AdWords is free; advertisers only pay when potential consumers engage with their advertisements. Google AdWords is able to push content in through the following mediums:

Search Ads: Search ads appear next to Google search results when people browse for products and services you offer.



⁴⁸<https://www.google.com/search?q=floatfest&oq=floatfest&aqs=chrome..69i57j69i60l5.3110j0j4&sourceid=chrome&ie=UTF-8>

Text: similar to an ad on Google Search, display ads include a headline, two lines of text, and a URL⁴⁹.



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Banner: including images and media, these ads let you include customized layouts, interactive elements, animations, and more. Banner ads are clickable, usually directing consumers to a landing page where conversions can be made⁵¹.

⁴⁹ "How Google AdWords Works." Google. Accessed May 09, 2018. https://adwords.google.com/home/how-it-works/#?modal_active=none.

⁵⁰ <https://www.sharetribe.com/academy/get-started-google-adwords-marketplace/>

⁵¹ "How Google AdWords Works." Google. Accessed May 09, 2018. https://adwords.google.com/home/how-it-works/#?modal_active=none.

DJIA 24462.94 -0.82% ▼ S&P 500 2670.14 -0.85% ▼ Nasdaq 7146.13 -1.27% ▼ U.S. 10 Yr -13/32 Yield 2.961% ▼ Crude Oil 68.06 -0.40% ▼ Euro 1.2288 -0.45% ▼

THE WALL STREET JOURNAL.

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What's News

Inside White House, Fears of Rosenstein Dismissal Are Easing

Last week, President Trump's advisers believed he would soon fire the Justice Department official overseeing a Russia investigation he calls a witch hunt. But events in recent days appear to have calmed the situation. [159](#)

- Sessions Warns About Deputy's Firing

White House Backs Funding Increase for World Bank

The Trump administration is setting aside its skepticism of big [https://www.wsj.com/articles/the-instant-message-generation-gap-1523972835](#)

Barbara Bush Remembered as Tough, Loving Matriarch

Former first lady Barbara Bush was eulogized at her memorial service in Houston as a witty family "enforcer" who steered a powerful clan through trying times. [75](#)

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McKayla Maroney's Dark

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Opinion

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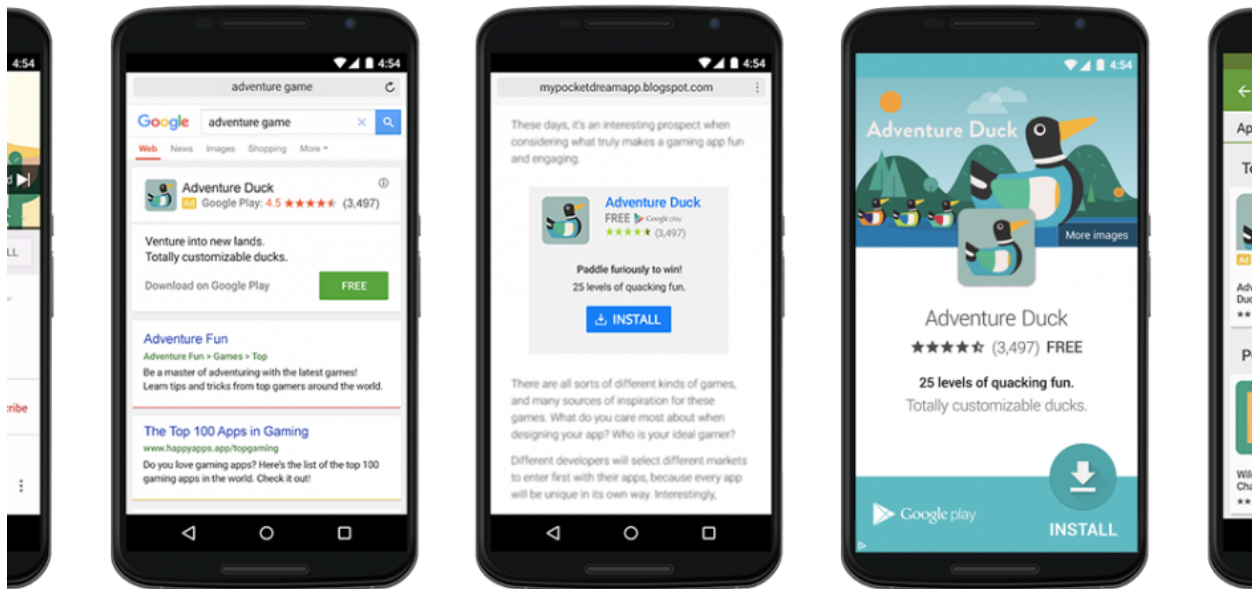
Gmail: custom ads delivered through Google's Gmail service⁵².

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⁵² "How Google AdWords Works." Google. Accessed May 09, 2018. https://adwords.google.com/home/how-it-works/#?modal_active=none.

⁵³ <https://simondell.com/digital-marketing-solutions/google-adwords-consultant/>

App: Ads targeted at specific mobile application categories: (i.e., music applications: Pandora, Spotify, etc.).⁵⁴



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All advertisers need to do is select the format for the content, set parameters determining where ads will run, and set a budget. Google does the rest. With millions of websites, news pages, blogs, and Google websites like Gmail and YouTube, the Google Display Network reaches 90% of Internet users worldwide. Furthermore, with specialized options for targeting, keywords, demographics, and remarketing, Google allows festivals to reach more customers by encouraging them to notice your brand, consider your offerings, and take action. Google

⁵⁴ "How Google AdWords Works." Google. Accessed May 09, 2018. https://adwords.google.com/home/how-it-works/#?modal_active=none.

⁵⁵ <http://www.thedrum.com/news/2015/09/28/google-eyes-crm-and-app-install-budgets-new-advertising-products>

Analytics permit festivals to measure the efficacy of their AdWords campaigns (as well as social media campaigns) in real time. This responsiveness proves invaluable to young festivals operating with thin margins because it provides flexibility. With Google Analytics, festivals are able to quickly figure out which audiences are most responsive and what content they are most responsive to. Real time analysis permits festivals to adjust their marketing campaigns at unprecedented speed saving them time, money, and effort.

The efficacy of these practices in comparison to traditional methods is reflected by Float Fest's 2018 marketing campaign. The marketing campaign is run by promoters with the assistance of Gupta Media – a full service digital marketing agency out of Boston, MA. Aside from trade deals with radio stations such as 101X (in which Float Fest gives the radio stations tickets to giveaway to listeners), Float Fest's 2018 marketing campaign has been entirely digital thus far. The festival has advertised exclusively through Facebook, Twitter, and Google. Digital marketing is typically measured according to the following metrics which can be measured as an aggregate or grouped according to platform (i.e., Google, Facebook, Twitter, etc.):

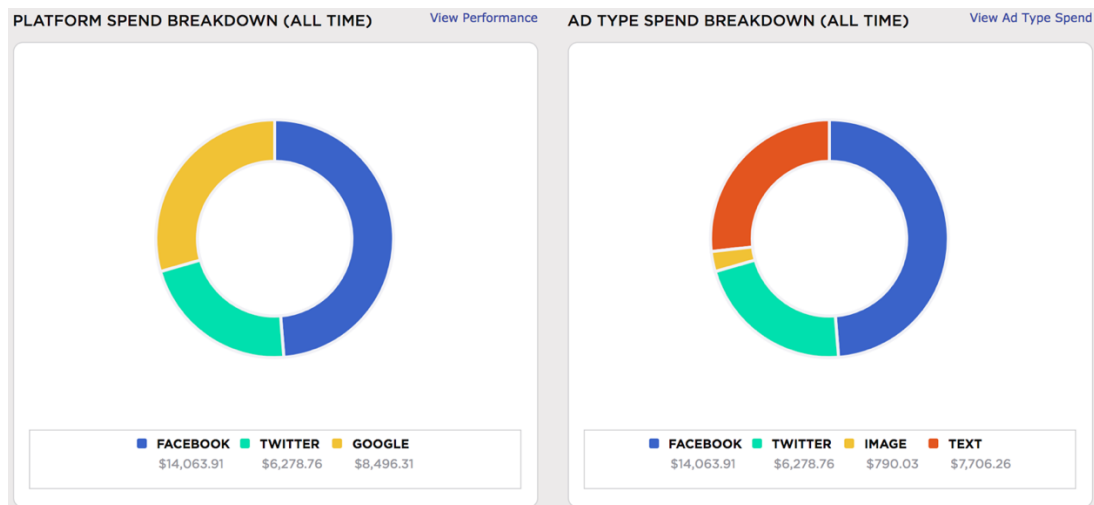
1. Impressions: the number of times the content is displayed.
2. Cost Per Mile (CPM): the cost per 1,000 impressions, when advertised.
3. Reach: the total number of people who see content. Reach is categorized as organic or paid.
4. Clicks: The number of times content is engaged with or "clicked" – this is usually in reference to a link to a landing page.
5. Cost Per Click (CPC): the cost to the advertiser per click.
6. Engagement: metrics regarding user interaction with marketed content.

7. Return on Advertising Spend: the amount of revenue a company receives per dollar spent on an advertising source.

Thus far, content from Float Fest's 2018 marketing campaign has made a total 3,375,711 impressions, at an overall cost-per-mile of \$7.602. Float Fest's content accumulated 104,886 clicks at an average CPC of \$0.245. These metrics grouped according to platform are as follows:

All-time (3/27 - 4/23)

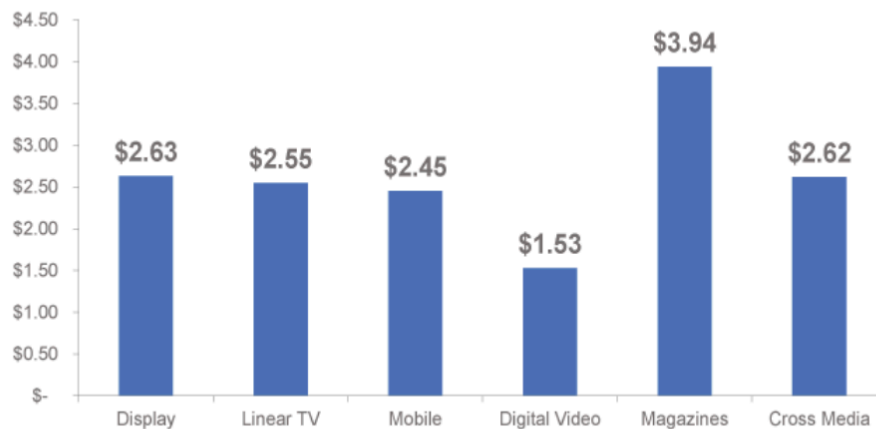
| Platform | Spend | Impressions | CPM | Link Clicks | Conversions | Cost Per Conversion | Conversion Rate |
|--------------|--------------------|------------------|----------------|---------------|--------------|---------------------|-----------------|
| Google | \$8,423.70 | 360,333 | \$23.378 | 21,598 | 825 | \$10.211 | 3.82% |
| Twitter | \$6,252.90 | 609,355 | \$10.262 | 3,021 | 113 | \$55.337 | 3.74% |
| Facebook | \$14,018.39 | 2,873,867 | \$4.878 | 17,015 | 765 | \$18.117 | 4.50% |
| Total | \$28,694.99 | 3,843,555 | \$7.466 | 41,634 | 1,703 | \$16.756 | 4.09% |



From March 27, 2018 to April 21, 2018 Float Fest grossed \$764,553.18 in revenue. This revenue is, largely, the product of promoters employment and skillful manipulation of modern marketing practices and technologies – namely social media platforms, Google AdWords, and Google Analytics. All in all, Float Fest's advertisements on Facebook, Twitter, and Google

resulted in a 29.8 return on advertising spend (ROAS). According to a study by Nielsen, the average return on ad spend is 2.87:1, meaning for every \$1 spent on advertising, the average company makes \$2.87. Nielsen further breaks down ROAS across media⁵⁶:

RETURN ON AD SPEND ACROSS MEDIA



Source: Nielsen Catalina Solutions, Multi-Media Sales Effect Studies from 2004 – Q4 2015.

Copyright © 2016 The Nielsen Company

Float Fest's high ROAS (in comparison to national averages) not only indicates how modern marketing practices facilitate the growth the Music Festival Bubble but is indicative how these practices influence virality of the media and entertainment (M&E) industry as a whole.

According to an EY report, M&E industry earnings before interest, taxes, depreciation and amortization (EBITDA) increased steadily from 2011-2014. They were expected to remain constant as companies continued to leverage digital media, deliver new consumer experiences,

⁵⁶ "Benchmarking Return on Ad Spend: Media Type and Brand Size Matter." What People Watch, Listen To and Buy. Accessed May 09, 2018. <http://www.nielsen.com/us/en/insights/news/2016/benchmarking-return-on-ad-spend-media-type-brand-size-matter.html>.

and expand into emerging markets. John Nendick, EY's Global Media & Entertainment Leader, stated "The evolution of the M&E industry continues to focus on the exploitation of digital distribution and finding new and innovative ways to reach and interact with the consumer. With surging demand for content, M&E companies are growing their profitability through multiple consumer offerings, better knowledge of consumer tastes and preferences and continued international expansion."⁵⁷

All in all, the growth of the music festival bubble can be attributed, in part, to three primary causes: (1) pervasive changes in music consumption, (2) the socioeconomic tendencies of millennials, and (3) the modern marketing technologies and practices. Essentially, pervasive changes in music consumption lowered the price of talent. As talent is the principal expense for music festivals, this reduction allowed new festivals to get off the ground, permitted established festivals to profit, reinvest, and grow, and reduced the risk for venture capitalists considering investing in the industry. Overall, this lowered operating costs for the industry, increasing the supply of festivals. The demand for these festivals was met by millennials, an expansive cohort of experience driven consumers whose proclivity for social media made them an easy-targets for festival promoters. With an endless supply of sitting-duck consumers, festival promoters embraced modern marketing technologies to reach millennials and elicit conversions quickly and at low cost. These practices linked supply with demand expediting the formation and growth of the bubble.

⁵⁷ "Меню." Media and Entertainment Industry Show a Better Return on Investment. January 01, 1970. Accessed May 09, 2018. <https://inventure.com.ua/en/analytics/investments/media-and-entertainment-industry-show-a-better-return-on-investment>.

FROM WOODSTOCK TO WALLSTREET

Art for art's sake? Not a chance. The burgeoning music festival bubble means big business – pumping billions of dollars into the global economy. In addition to helping artists recoup lost revenues, music festivals have: benefitted stakeholders, nourished tourist economies in hosting areas, and created hundreds of thousands of temporary jobs. Moreover, rampant corporate takeovers have effectively resulted in an oligopoly. The industry is run by two major players – Anschutz Entertainment Group (AEG) and Live Nation Entertainment.

Coachella and Arts and Stagecoach

Coachella Valley Music & Arts Festival (Coachella), one of the most successful festivals internationally, is a testament to the potential impact of a music festival. Despite financial problems in the early 2000s, Coachella became the industry's most profitable festival in 2013, selling 158,000 tickets in twenty minutes and grossing an incredible \$47.3 million in revenue⁵⁸. The economic impact reaches beyond stakeholders. Coachella and Stagecoach Country Music Festival (Stagecoach) reportedly created 3,000 temporary jobs and thrust \$254 million into the Indio Valley, California economy (2012). Eager to capitalize on these festivals, local businesses report that they prepare weeks in advance for the more than 80,000 people that attend the events each day⁵⁹.

These two festivals, and their respective economic impact, grew in parallel with the festival bubble. In 2016, it was projected that Coachella and Stagecoach would inject \$704

⁵⁸ Clark, Kelsey. "The Economics of Music Festivals." The Huffington Post. June 13, 2015. Accessed May 09, 2018. https://www.huffingtonpost.com/kelsey-clark/the-economics-of-music-festivals_b_7056508.html.

⁵⁹ Clark, Kelsey. "The Economics of Music Festivals." The Huffington Post. June 13, 2015. Accessed May 09, 2018. https://www.huffingtonpost.com/kelsey-clark/the-economics-of-music-festivals_b_7056508.html.

million into the global economy, according to projections announced by the Coachella Valley Economic Partnership and Greater Palm Springs Convention and Visitors Bureau. Managing partner and chief economist of Development Management Group Michael Bracken supposed that the international spend would total more than \$403 million. In addition, he expected to the festival to directly benefit businesses in the Coachella Valley, with at least \$106 million going to businesses in Indio specifically.⁶⁰

In determining the economic impact of the estimated 273,000 attendees of Coachella and Stagecoach, Bracken considered transportation costs, ticket prices, housing, the food industry, as well as how much attendees spend on items such as gas, drinks and off-site entertainment, etc. All in all, Bracken predicted the average spend per attendee.⁶¹

| | COACHELLA FESTIVAL | STAGECOACH FESTIVAL |
|---|-----------------------|------------------------|
| Local | \$554 | \$424 |
| Regional | \$985 | \$834 |
| Driving distance | \$1,000 | \$849 |
| U.S. flight | \$1,610 | \$1,451 |
| International medium (Canada, Mexico etc.) | \$1,860 | \$1,680 |
| International long (as far as Australia) | \$2,260 | \$2,080 |

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⁶⁰ Rumer, Anna. "Coachella Festival, Stagecoach Generate \$704M in 2016." Desert Sun. March 23, 2016. Accessed May 09, 2018. <https://www.desertsun.com/story/news/local/indio/2016/03/22/goldenvoice-concerts-coachella-economic-impact/82141410/>.

⁶¹ Rumer, Anna. "Coachella Festival, Stagecoach Generate \$704M in 2016." Desert Sun. March 23, 2016. Accessed May 09, 2018. <https://www.desertsun.com/story/news/local/indio/2016/03/22/goldenvoice-concerts-coachella-economic-impact/82141410/>.

⁶² Rumer, Anna. "Coachella Festival, Stagecoach Generate \$704M in 2016." Desert Sun. March 23, 2016. Accessed May 09, 2018. <https://www.desertsun.com/story/news/local/indio/2016/03/22/goldenvoice-concerts-coachella-economic-impact/82141410/>.

The economic impact of these festivals appears to be growing in response to rising demand. This demand is illuminated by the fact that weekend passes to Coachella sold out in just three hours. According to The Desert Sun, general admission (GA) passes for the first weekend (\$429) were sold out in just 35 minutes, while the GA plus shuttle (\$504) took an hour to sell out⁶³.

SXSW

Coachella's and Stagecoach's tremendous economic impact is evident within the valley and across the world. However, some festivals have evolved beyond musical performances and now featured larger attractions representing varied interests. For instance, South by Southwest (SXSW) in Austin, Texas combines film, technology, and live music. For more than three decades, SXSW has welcomed the world's most interesting innovators to Austin for an unparalleled mix of industry conferences, trade shows, and festivals. SXSW transforms Austin into a global mecca for creative professionals, fortifying the city's reputation as an innovative metropolis. The economic impact of SXSW's 31st official event increased 7% to \$348.6 million (compared to \$325.3 million in 2016). Austin's mayor – Steve Adler – attests to the impact of the festival, "SXSW is one of the purest expressions of Austin because we thrive by being creative, providing a home to some of the biggest names in tech and film, and playing host to the best live music in the world. And even if you don't

⁶³ Rumer, Anna. "Coachella Festival, Stagecoach Generate \$704M in 2016." Desert Sun. March 23, 2016. Accessed May 09, 2018. <https://www.desertsun.com/story/news/local/indio/2016/03/22/goldenvoice-concerts-coachella-economic-impact/82141410/>.

come to the event, we all benefit. The economic impact of SXSW is on par with hosting the Super Bowl every year.”⁶⁴

An economic impact study by Greyhill Advisors and South by Southwest (SXSW) suggests that festival remains the single most profitable event for the City of Austin’s hospitality sector:

SXSW 2017 kicked off with SXSW EDU on March 6th and continued March 9 through March 19 with the SXSW Conference & Festivals and the SXSW Gaming Festival. Direct participation in the 14-days of events totaled approximately 440,000 attendees.

In 2017, SXSW directly booked 11,605 individual hotel reservations totaling over 50,000 room nights for SXSW registrants. Direct bookings by SXSW alone generated nearly \$1.8 million in hotel occupancy tax revenues for the City of Austin.

The economic impact from SXSW continues to drive the exceptional growth of Hospitality and Entertainment sectors in Austin, which has experienced triple digit growth over the last five years and accounts for 12% of Austin's workforce.

Entertainment spending by SXSW attendees goes directly to the restaurants, SXSW conference facilities, music venues, film theatres, retail stores, print shops, transportation companies, and other establishments throughout central Austin.

⁶⁴ Greyhill Advisors and South by Southwest (SXSW). "SXSW Economic Impact to City of Austin Increases to \$348.6 Million in 2017." News release, September 27, 2017. South By South West. Accessed May 9, 2018. www.sxsw.com.

Cities across the country and globe spend millions vying to host a one-time mega sporting event that may support roughly the same level of economic impact. SXSW brings this benefit to the City of Austin year after year.⁶⁵

Analysis of Coachella, Stagecoach and SXSW suggests that individual music festivals can have a tremendous economic impact both within their hosting areas and worldwide. However, these festivals represent only a small sample of the thousands of festivals spanning across the globe. A few of the world's highest attended festivals include:

- 1) Glastonbury festival, England (Estimated: 130,000, per day)
- 2) BREEDEN FEST, USA (Estimated 150,000 per day)
- 3) Roskilde, Denmark (Estimated 110,000 per day)
- 4) Rock Werchter, Belgium (Estimated 110,000 per day)
- 5) Lollapalooza, Chicago, IL (Estimated 100,000 per day)⁶⁶

With over 800 festivals in the US alone, the economic impact of festivals worldwide is tremendous.⁶⁷ If it is assumed that there is a positive correlation between attendance and

⁶⁵ Greyhill Advisors and South by Southwest (SXSW). "SXSW Economic Impact to City of Austin Increases to \$348.6 Million in 2017." News release, September 27, 2017. South By South West. Accessed May 9, 2018. www.sxsw.com.

⁶⁶ "Top 20." List of International Music Festivals by Attendance | WikiFestivals. Accessed May 09, 2018. <https://www.wikifestivals.com/wiki/list-international-music-festivals-attendance>.

⁶⁷ "6 Factors Driving the Massive Growth of Music Festivals." Umbel. August 03, 2017. Accessed May 09, 2018. <https://www.umbel.com/blog/entertainment/6-factors-driving-massive-growth-of-music-festivals/>.

economic stimulation (relative to SXSW, Coachella, and Stagecoach) it follows that the above festivals many billions into the global economy each year.

Corporatization and Oligopoly

When music festivals started to gain traction, gatherings at Woodstock in the US, and the Glastonbury were countercultural phenomena imbued with hippy ethos. Over the past four decades, however, music festivals transitioned from Woodstock to Wallstreet. While musical giants still strut the stage, it is increasingly likely that the stage is owned by one of two corporate behemoths – Live Nation or The Anschutz Entertainment Group (AEG).

The corporatization of the industry has not changed the lineups so much as the business model. Bob Dylan, The Who, Neil Young, The Who, The Rolling Stones and Paul McCartney all performed at 1960's and 1970's festivals often open to the public free of charge. In 2016, however, all of those legends reunited at Desert Trip Music Festival in Indio, California. Many viewed the opportunity to see the aging rockstars perform again as priceless. AEG, however, deemed \$399 was a fair price for a three-day pass⁶⁸.

Desert Trip was founded by CEO of Goldenvoice Paul Tollet. Goldenvoice, a subsidiary of AEG Live since 2001, also runs FYF, Firefly, Hangout Music Fest, Splash House, Camp Flaw Gnaw Carnival, Panorama, Arroyo Seco Weekend, and Coachella⁶⁹. Following Coachella and New Orleans Jazz Festival, the next four most attended festivals in the US (2015) were owned by

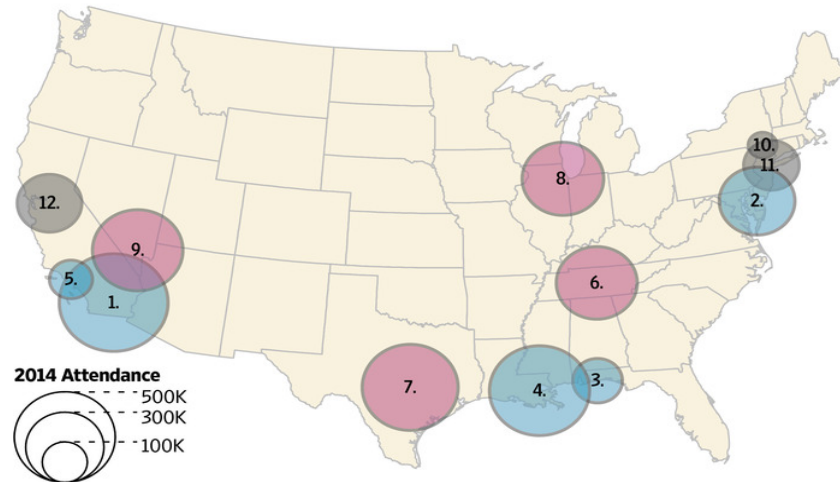
⁶⁸ Appleford, Steve. "Rolling Stones, Bob Dylan Thrill With Iconic Songs at Desert Trip Night 1." *Rolling Stone*. October 08, 2016. Accessed May 09, 2018. <https://www.rollingstone.com/music/live-reviews/rolling-stones-bob-dylan-thrill-at-desert-trip-night-1-w443981>.

⁶⁹ "Concert and Music Festival Promoter." 2018. *Goldenvoice*. Accessed May 9. <http://www.goldenvoice.com/festivals/>.

Live Nation. The following map delineates how AEG and Live Nation dominate the US festival industry.

Music Festivals Inc.

A sampling of important U.S. music festivals, many of which are now owned by AEG Live and Live Nation Entertainment



FESTIVAL BY OWNER (DURATION)

AEG LIVE

1. Coachella (6 days)
2. Firefly (4)
3. Hangout (3)
4. New Orleans Jazz and Heritage (7)
5. FYF Fest (2)

LIVE NATION

6. Bonnaroo (4)
7. Austin City Limits (6)
8. Lollapalooza (3)
9. Electric Daisy Carnival, Las Vegas (3)

OTHER

10. Mysteryland (2)
11. The Governors Ball (3)
12. Outside Lands (3)

Note: Companies have ownership of at least part of the festival.
Source: the companies

THE WALL STREET JOURNAL.⁷⁰

Live Nation and AEG Live garnered this significant market share largely by purchasing blossoming independent music festivals. These takeovers include Live Nation's 2014 purchase of a controlling share in C3 Presents, a corporation which produces the following festivals⁷¹:

1. Austin City Limits Music Festival

⁷⁰ Shah, Neil. 2015. "Music Festivals: Peace, Love and a Business Battle." *The Wall Street Journal*. Dow Jones & Company. July 30. <https://www.wsj.com/articles/music-festivals-peace-love-and-a-business-battle-1438296207>.

⁷¹ "Festivals." 2018. *C3 Presents*. Accessed May 9. <https://www.c3presents.com/festivals/>.

2. In Bloom Music Festival
3. Innings Festival
4. Lollapalooza USA
5. Lollapalooza Argentina
6. Lollapalooza Berlin
7. Lollapalooza Brazil
8. Lollapalooza Chile
9. Lollapalooza Paris
10. Shaky Beats Music Festival
11. Shaky Knees Music Festival
12. Sea.Hear.Now Festival
13. Sydney City Limits Music Festival
14. Voodoo Music + Arts Experience

Historically, the business model employed by AEG and Live Nation turns high-risk, weather-dependent events into sustainable and profitable ventures by acquiring a diverse portfolio of assets. The two corporations mitigate risk and lower costs by running in-house production, standardizing the means of providing thousands of attendees with food, facilities, and security over multiple day events, as well as in-house ticketing services, and sponsorship / advertising divisions.

Furthermore, Live Nation is the world's leading artist management company, boasting 140+ managers and 500+ artists. In its 2016 annual report, Live nation provided a list of management subsidiaries. In the US, these included: Roc Nation Management, 24 Artist Management, Blueprint Artist Management, Spalding Entertainment, LMG Management, Mick Artists Management, Three Six Zero Group, Vector Management, Career Artist Management and Philymack

Management. Combined with their UK management subsidiaries Plan B Management and Quest, these assets grant Live Nation a significant edge in the entertainment industry⁷².

Correspondingly, AEG Presents is one of the leading producers and promoters of live music tours. Previously, AEG produced global tours for iconic artists such as The Rolling Stones, Katy Perry, Bruno Mars, Enrique Iglesias, Pitbull, Bon Jovi, Taylor Swift, George Strait, Kenny Chesney, Ed Sheeran, Tim McGraw, Jake Owen, Shawn Mendes, and The Dixie Chicks⁷³. In-house management/promotion gives AEG and Live Nation a significant edge over independent competition by permitting corporations to bundle acts according to multi-festival multi-year deals. Essentially, Live Nation and AEG are able to take advantage of economies of scale to reduce costs. With the costs of production reduced, AEG and Live Nation continue to raise consumer expectations and keep ticket prices high by surrounding their concerts with other experiential events. These include but are not limited to: art exhibits, comedic and theatrical performances, and carnivals.

The following excerpts from Live Nation's 2017 yearly report testify to the continued efficacy of this model:

Full Year 2017 - Another Record Year for Live Nation

Revenue Up 24% to \$10.3 Billion

Live Nation Concerts Attendance of 86 Million, Up 21%

Ticketmaster Fee-Bearing GTV Up 15% and Secondary GTV Up 16%

Sponsorship & Advertising Revenue Up 18%

⁷² Ingham, Tim. 2017. "Live Nation Companies Now Manage over 500 Artists Worldwide." *Music Business Worldwide*. February 28. <https://www.musicbusinessworldwide.com/live-nation-companies-now-manage-500-artists-worldwide/>.

⁷³ "Arroyo Seco Weekend." 2018. *AEG Worldwide*. Accessed May 9. <https://www.aegworldwide.com/index.php/divisions/music>.

Event-Related Deferred Revenue Up 13% to \$816 Million as of December 31
2018 Indicators (as of Mid-February)

Confirmed Concerts Show Count Up 7% Year-Over-Year

On-Site Spending at Amphitheaters Expected to Grow Additional \$2 Per Fan

Sponsorship & Advertising Committed Net Revenue at 70% of 2018 Projections

Live Nation Entertainment (NYSE: LYV) today released financial results for the three months and full year ended December 31, 2017.

Live Nation delivered its seventh consecutive year of record results, with revenue growth across all our divisions - concerts, sponsorship and ticketing. We continue to see the tremendous power of live events, with strong consumer demand and a robust supply of new and established artists hitting the road from clubs to stadiums. Live is truly a unique entertainment form; it cannot be duplicated and creates lifetime memories that fans are craving more than ever in this experience economy.

Concerts Market Share Expansion Continued in 2017

Live Nation continued to grow its global market share in 2017, adding 15 million fans globally for a total of almost 86 million fans, driving concerts revenue up 26%.

Average ticket prices for our shows increased by 5% in 2017, amounting to over \$250 million additional revenue as artists more effectively captured the true value from their shows. Once at the show, average per-fan spending grew as well. At our amphitheaters, this spending grew by 9% to over \$24 per head as we added more high-end products, improved the quality of our food and beverage offering and increased points of sale.⁷⁴

As festivals in the US and Europe approach critical mass, competition between Live Nation and AEG threatens to squeeze what small, independent festivals remain. In response to saturated US and European markets, corporations expand are looking to bring festival to new areas. Live Nation stated it would continue to seek acquisitions,

⁷⁴ “Live Nation Entertainment Reports Fourth Quarter And Full Year 2017 Results.” 2018. *Live Nation Entertainment*. Accessed May 9. <http://investors.livenationentertainment.com/news-center/news-center-details/2018/Live-Nation-Entertainment-Reports-Fourth-Quarter-And-Full-Year-2017-Results/default.aspx>.

saying there are only a “handful” of interesting targets left in the US and Europe but “Asia and Latin America are particularly ripe for more, relative to what they have got.” Paul Reed, general manager of the UK’s Association of Independent Festivals (AIF), says AEG Live and Live Nation are becoming “more powerful and more aggressive.”⁷⁵

“Some ask whether corporatization is a good thing or a bad thing,” says Chris Carey of Media Insight Consulting, a research group. “The answer is, it depends. In some ways, corporatization means you’re more efficient. You get better negotiating positions. You can do global deals to the benefit of small events.” But the consolidation also runs the risk of elbowing out creative or novel ideas. Describing the impact of Live Nation and AEG, one music industry analyst said, “The risk is that they buy out interesting festivals and make them less interesting.”⁷⁶

THE BURST

Music festivals have come a long way since Woodstock. Changes in music consumption, millennials’ socioeconomic tendencies, and festival promoters’ use of modern marketing practices facilitated the growth of a bubble. Along with this bubble, the number, size, profitability, and economic impact of festivals have increased rapidly. Able to mitigate the inherent risks associated with outdoor music festivals by taking advantage of economies of scale, two corporate behemoths (AEG and Live Nation) followed – acquiring flourishing independent festivals in order to expand. As the US and

⁷⁵ Ahmed, Murad, and Hannah Murphy. 2016. “Music Festivals Go Upscale and Corporate.” *Financial Times*. Financial Times. June 17. <https://www.ft.com/content/3816796a-3178-11e6-ad39-3fee5ffe5b5b>.

⁷⁶ Ahmed, Murad, and Hannah Murphy. 2016. “Music Festivals Go Upscale and Corporate.” *Financial Times*. Financial Times. June 17. <https://www.ft.com/content/3816796a-3178-11e6-ad39-3fee5ffe5b5b>.

European markets approach critical mass, these corporations will likely change their US and European model to focus on sustainability and continue creating and acquiring assets in less crowded Latin and Asian markets.

However, there is a cost associated with everything and, like every space that sees exponential growth, there are positive and negatives that follow. So, when, where, and why will this bubble burst?

Currently, market saturation is bursting the bubble for small independent festivals. Unable to mitigate risks, operate according to economies of scale, and bundle acts, these festivals are dying – rapidly. The plight of small independent festivals is exacerbated by their inability to compete with the radius clauses of larger festivals. Radius clauses prevent talent from playing X distance for Y time before and after an event. While these provisions protect festivals once they have booked talent, they also lower the overall supply of talent. With the market reaching critical mass, worthwhile talent is scarce. A consequence of corporate bundling and artists' incentive to play in front of the largest crowd available, more and more of the top-tier talent is consumed by corporate festivals. In turn, small independent festivals are being starved out. Paul Levine, one of the biggest forces behind Florida's Spirit of Suwannee Music Park, has produced concerts for more than two decades. Levine spoke out regarding the collapse, "Everyone wants to have a festival. The reason there's so many and — particularly the big ones — there's a lot of corporate money and sponsorship dollars (invested)." Levine said, "Businesses are putting up large amounts of money to do certain things and perhaps overpaying artists, which inflates the price structure. It's become harder and harder for smaller, grassroots promoters to get fairer deals on headliners because they don't have as much buying power as the bigger interests."⁷⁷

⁷⁷ "Inside The Rapidly-Rising, Bubble-Bursting Culture Of Music Festivals." 2017. *L4LM*. April 14. <https://liveforlivemusic.com/features/inside-the-rapidly-rising-bubble-bursting-culture-of-music-festivals/>.

When and why the festival will burst for larger independent or corporate festivals remains uncertain. Although these festivals are more resilient to risks and market saturation, it will be interesting to see how and if they adapt to the inevitable changes in music consumption – a product of Moore’s law. Also, it remains a possibility that intellectual property (IP) legislation will eventually catch up with streaming technology. If IP legislation benefits artists and they recoup revenues lost consequence of the digital revolution, artists may choose not to tour as frequently. The resulting reduction in the supply of artists could prove detrimental to the expansive festival bubble, which relies heavily on artist’s need to tour.

AEG and Live Nation’s business models have lowered costs and allowed them to acquire large swathes of US and European markets. The corporatization of festivals, however, is ostracizing veteran attendees. These patrons claim that the corporatization of festivals has eroded the individuality and the charm of music festivals. Explicitly, bundling has resulted in recycled lineups while sponsorship leaves festivals looking indistinguishable aside from location. In what is being termed “festival fatigue,” weary consumers are boycotting banal festival experiences. Noisey Magazine captured this sentiment:

These days, the things that are apparently tantamount to making a festival good are so tepid that festival culture has now mutated in a way that doesn't feel strange or different, morphing into a concept we don't yet understand. Instead, it's changing in a grotesquely boring way. Part of this change is down to the fact that these events have become increasingly alike: from Reading Festival and the Isle of Wight to Stateside events like Coachella and Bonnaroo, the festival experience has seemingly merged into one coalesced, purchasable vision of the exact same idea—wherein it’s possible to watch an electronic DJ, a rock band, and a rap artist before queuing up to buy some day-glo paint and a strawberry flavoured cider. As The New York Times put it in an editorial recently, “Want to see LCD Soundsystem? You can catch them at Coachella, Bonnaroo, Panorama and Way Home. Major Lazer? Coachella, Sasquatch, Firefly and Panorama. ASAP

Rocky? Coachella, Firefly and Panorama. Gary Clark Jr.? Coachella, New Orleans Jazzfest, Governors Ball, and Way Home.⁷⁸

Likewise, watershed events – like the 2017 Las Vegas mass shooting at Route 91 Harvest music festival – are capable of altering the public perception of music festivals. At music festivals, individuals are packed in extremely close proximity for extended periods of time. Participation in mass gatherings of this description places attendees at heightened risks. Ergo, if risks are realized and more music festivals become the setting for tragedies (i.e., mass shootings, terrorist attacks, mass overdoses, natural disasters), public perception of the events may sour. If a sufficient number of consumers consider festivals too risky to attend, the bubble could collapse altogether.

Local backlash presents another risk to the bubble. While select locals benefit from having a music festival in their backyard, near-all residents are subjected to the negative externalities associated with these large events (i.e., traffic, pollution, drugs, crime, etc.). Historically, some locals and their respective politicians reach a breaking point and oppose the festival either through collective action or with legislation. While large corporate festivals are best equipped to combat local backlash via charitable donations, lobbying efforts, etc., they cannot always remedy the situation. Respectively, even the largest festival can be forced out – as was the case for Middlelands festival hosted at the Texas Renaissance Festival grounds in Todd Mission, Texas. Despite resounding success its inaugural year, neighbors successfully lobbied to bar the festival’s return. Texas Renaissance Festival general manager Terre Albert confirmed this:

⁷⁸ Bassil, Ryan. 2016. “The Golden Age of Music Festivals Is Over.” *Noisey*. April 29. https://noisey.vice.com/en_us/article/rkqj4w/the-golden-age-of-music-festivals-is-over.

TRF is always looking for new ways to bring fun and magic to the Houston area, which is why we partnered with Insomniac, C3 Events and Live Nation, to create the Middlelands music festival on our grounds. Middlelands was a great success and brought over 60,000 people to the area from all over the country and the world. However, after a meeting with executive leadership and based on Texas Renaissance Festival's overall mission, we have made the decision to not move forward in hosting the event again.⁷⁹

Ultimately, shifts in the socioeconomic behavior of millennial pose the greatest risk to the inflated festival industry. As millennials age, marry and settle down, their interests and consumption will change accordingly. If millennials become less experience driven and festivals fail to woo younger generations, the consumer base for festivals will shrink, demand will fall, and the bubble may burst.

When considering growth and burst of the music festival “bubble” it is important to recognize that the is term only a metaphor – mixed and misconstrued. Bubbles shimmer and vanish according to their own rules. There is no inevitability. There is no normal. Only time will tell when this bubble pops.

⁷⁹ Gray, Chris. 2017. “Texas Renaissance Festival Declines to Invite Middlelands Back Next Year [UPDATED].” *Houston Press*. May 22. <http://www.houstonpress.com/arts/texas-renaissance-festival-wont-ask-middlelands-to-return-in-2018-9455124>.

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BIOGRAPHY

Reid Diaz was born in New Jersey on November 26, 1995, and moved with his family to Atlanta, Georgia in 2000. He enrolled in the Plan II Honors program at the University of Texas at Austin in 2014. In addition to this degree, he received a Business Foundations Certificate from McComb's School of Business. During college, he wrote for Jamfeed and managed Float Fest's marketing. Reid will spend a year interning at a midmarket investment bank in Houston, then enroll in law school in 2019. Reid enjoys sunsets, long walks on the beach, and holding hands.